

TOWN OF BRIDGEVILLE
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2008



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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Town of Bridgeville
101 North Main Street
Bridgeville, Delaware

We have performed the procedures enumerated below, which were agreed to by the Town of Bridgeville, State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist the specified parties with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2008. The Town of Bridgeville's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. Complete the State of Delaware Office of Auditor of Accounts municipal grants agreed-upon procedures program to determine the Town of Bridgeville's compliance with applicable laws, regulations and financial reports related to municipal grant funds received for the year ended June 30, 2008 and detail any instances of noncompliance.

The Town of Bridgeville received municipal grant funds under the following programs for the year ended June 30, 2008:

Municipal Street Aid
Police Pension
State Aid to Local Law Enforcement
Emergency Illegal Drug Enforcement

FINDING NO. 08-1 During completion of the Town of Bridgeville's program checklist for the Municipal Street Aid Grant, it was noted that their cash internal control structure over municipal street aid has no segregation of duties due to the lack of personnel which is a reportable internal control weakness that does not properly maintain and safeguard municipal street aid funds. The State of Delaware *Budget and Accounting Manual* Chapter II requires that the responsibility for a transaction or activity be divided among different parties so that no one employee has complete control over the processing of transactions. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties. While ideal separation of duties is not always possible, an organization should strive to separate key functions and provide for increased oversight for the processing of transactions.

RECOMMENDATION The Town should attempt to segregate duties related to cash receipts and disbursements of Municipal Street Aid funds among different Town council members or employees so that additional controls over the Town's municipal grants can be established.

TOWN'S PLAN FOR CORRECTIVE ACTION

The Town concurs with the finding that our cash internal control structure over Municipal Street Aid has no segregation of duties. From this date forward all Municipal Street Aid expenditures will be reviewed by the Town Manager until more duties can be segregated through the hiring of additional personnel, as needed.

FINDING NO. 08-2 During completion of the Town of Bridgeville's program checklist for the municipal street aid grant, it was noted that their reimbursement to the Town's general fund for Municipal Street Aid Fund expenditures included expenditures not in accordance with 30 Del. C. §5165(a)(2) as follows:

Health, Liability & Workman's Compensation Insurance	\$5,505.93
Cell Phone Charges	\$ 238.99
<u>Total</u>	<u>\$5,744.92</u>

The Town was of the understanding that these costs were allowable since they were not noted as a finding in a previous. 30 Del. C. §5165(a)(2) indicates allowable costs are Salaries and Wages, but does not indicate items such as insurance or cell phone charges of the employee.

The failure to comply with the grant's requirements could result in the loss of future funding.

RECOMMENDATION The Town should review the expenditures included in the Municipal Street Aid Fund reimbursement before the check is written to the General Fund account. The Town should reimburse the Municipal Street Aid

Fund for the expenditures.

TOWN'S PLAN FOR CORRECTIVE ACTION

We were informed by those conducting the 2005 Audit that health, liability and workman's compensation insurance and cell phone charges were allowable expenditures. As a result, there were no associated findings within that 2005 audit regarding cell phone and insurance related expenditures.

However, the Town will ensure that all future Municipal Street Aid Funds will not be used for those types of costs. We will reimburse the Municipal Street Aid Fund account in the amount of \$5,744.92 for the items included in this finding.

2. Address the status of any findings and recommendations disclosed in previous reports.

FINDING NO. 05-1 During completion of the Town of Bridgeville's program checklist for the municipal street aid grant, it was noted that their cash internal control structure over Municipal Street Aid has no segregation of duties due to the lack of personnel. The Finance Director and the receptionist control all the cash functions for the Town, which is a reportable internal control weakness that does not properly maintain and safeguard Municipal Street Aid funds. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

CURRENT STATUS See finding 08-1.

FINDING NO. 05-2 During completion of the Town of Bridgeville's program checklist for the Municipal Street Aid grant, it was noted that the Town used Municipal Street Aid funds to pay for Christmas lighting expenditures totaling \$4,111.00. According to 30 Del. C. §5165(a)(2) funds may be expended for "lighting of the streets and all expenses related thereto", however, expenses for Christmas lighting are not specifically related to lighting of the streets and therefore are not an eligible expenditure under allowable activities ("Guidelines for Municipal Street Aid Funding").

CURRENT YEAR STATUS See finding 08-2.

FINDING NO. 05-3 During the completion of the Town of Bridgeville's program checklist for the Municipal Street Aid grant, it was noted that their financial report was not submitted timely to the Office of the State Treasurer for the year ended June 30, 2005. The Town was required to submit the annual report on or before October 1, 2005 [30 Del. C. §5165(b)(2)]. The failure to timely file the report could result in the Town not receiving Municipal Street Aid Funds.

CURRENT YEAR STATUS The annual report for the Municipal Street Aid grant was timely filed.

FINDING NO. 05-4 During completion of the Town of Bridgeville's program checklist for the Municipal Street Aid grant, it was noted that the annual report was not properly prepared or reviewed [30 Del. C. §5165(b)(2)]. The annual report on the Municipal Street Aid funds understated the beginning cash balance by \$374.67, overstated the total expenditures by \$125.85 and understated the ending cash balance by \$500.52. Failure to prepare accurate financial reports could result in the loss of grant funding.

CURRENT YEAR STATUS The annual report for the Municipal Street Aid grant was accurately filed.

FINDING NO 05-5 During completion of the Town of Bridgeville's program checklist for the Police Pension grant, it was noted that the Town did not submit to the State Board of Pension trustees by April 1, a listing of retired police officers receiving benefits from the Town as of December 31 of the preceding year, excluding those receiving benefits from the State of Delaware County and Municipal Police Pension Plan as required by the Delaware Code [18 Del. C. §709(b)]. The State Board of Pension Trustees has not requested this information from the Town or provided a format for the Town to submit this information to them. Failure to comply could result in loss of grant funding..

CURRENT YEAR STATUS Since the Town of Bridgeville does not participate in the proceeds of the insurance tax as outlined in 18 Del. C. §708(c)(2) they were not required to file the listing for the current year.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Bridgeville's management and council members, the State of Delaware's Office of Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*Grabowski, Sparano
& Vincellette, CPAs*

Wilmington, Delaware
November 19, 2008